IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF COLORADO

Civil Action No. 1:23-cv-00313-RM-KAS

FOX FACTORY, INC.,

Plaintiff,

v.

SRAM, LLC,

Defendant.

REPLY IN SUPPORT OF SRAM, LLC'S MOTION
TO STAY LITIGATION PENDING *INTER PARTES* REVIEW

I. INTRODUCTION

This Court has found that "[t]he legislative history surrounding the establishment of the reexamination proceeding evinces congressional approval of district courts ***liberally granting stays***" and has set forth a framework for determining whether a stay is appropriate under *eSoft, Inc. v. Blue Coat Sys., Inc.*, 505 F. Supp. 2d 784, 786 (D. Colo. 2007) (emphasis added) and its progeny in this Court. While Plaintiff Fox Factory, Inc. ("Fox") acknowledges this Court's established four-factor analysis for granting stays pending *Inter Partes* Review ("IPR") as set forth in *eSoft*, Fox largely ignores this Court's precedent in favor of decisions issuing from different courts in California, Texas, and Delaware operating under different precedents and different patent rules. This Court should reject Fox's misplaced reliance on these factually and legally different out-of-Circuit cases.

This Court has repeatedly granted stays of discovery under similar facts and circumstances

to those present here, making resort to the decisions of other courts inappropriate and unnecessary. As set forth in SRAM, LLC's ("SRAM") motion papers, there is no question that a decision from the Patent Trial and Appeal Board ("PTAB") of the United States Patent and Trademark Office on SRAM's three IPR petitions (IPR2023-01301, IPR2023-01302, and IPR2024-00216) could greatly streamline (or eliminate) the issues in this case because ***the very same patent claims asserted in this litigation have been challenged in those three IPR petitions***. In evaluating whether a stay is appropriate pending the PTAB's expert review of patent invalidity, this Court has ample grounds to defer to the PTAB's expertise and stay this action pending the PTAB's decisions on SRAM's IPR petitions regarding the invalidity of the very same two patents at issue in this case.

II. ARGUMENT

A. The First and Fourth *eSoft* Factors Favor a Stay Even Prior to the PTAB's Acceptance of the IPRs Under *This* Court's Precedent Because the PTAB is Likely to Accept Some, if Not All, of the Claims Asserted and Fox Does Not Dispute the Issues Before this Court Would be Simplified by the IPRs.

As Fox implicitly concedes by asking the Court to ignore its own binding precedents and instead follow the "reasoning of the Delaware, Northern District of California, Texas"[1] (ECF No. 137 at 8), *this* Court has repeatedly found that a stay is appropriate applying the *eSoft* factors ***even before the PTAB's acceptance of an IPR petition***. *E.g.*, *Smith Sport Optics, Inc. v. Burton Corp.*, 601 F. Supp. 3d 936, 941 (D. Colo. 2022); *Well Master Corp. v. Flowco Prod. Sols., LLC*, No. 21-

[1] In addition to asking this Court to ignore its own precedent and adopt out-of-circuit reasoning, Fox relies on two cases decided well before the enactment of the AIA, "after which courts have more liberally stayed cases pending PTO proceedings." *Jefferson St. Holdings, LLC v. Casetagram Ltd.*, No. 1:23-CV-01518-RMR-SBP, 2023 WL 8651471, at *9 (D. Colo. Nov. 28, 2023). Respectfully, this Court should follow its own precedent and the correct, applicable, and more liberal standard governing the inquiry following the America Invents Act of 2011. *See id*.

CV-02145-CMA-KLM, 2022 WL 4129399, at *5 (D. Colo. Sept. 12, 2022); *Kamstrup A/S v. Axioma Metering AUB*, No. 19-cv-1669-WJM-SKC, 2019 WL 6296699, at *2–3 (D. Colo. Nov. 25, 2019). Indeed, the *Well Master* case explicitly rejected the plaintiff's argument that a motion to stay was "premature" prior to the PTAB's acceptance of the IPR, noting that "other courts in this district, including this Court, have granted motions to stay with the same procedural posture." *Well Master Corp.*, 2022 WL 4129399, at *5. The *Cocona* case, which is the ***only*** Colorado case of the six cases Fox cites in support of its position, notably ***granted the stay*** as to the defendant filing the IPR—***prior to institution***—and only allowed limited, staged discovery to continue as to the *other* defendant that had not filed the IPR.[2] *Cocona, Inc. v. VF Outdoor, LLC*, No. 16-CV-02703-CMA-MLC, 2018 WL 10910847, at *9 (D. Colo. Mar. 19, 2018). Even the seminal *eSoft* case that sets the standard for stays in this Court granted a motion to stay ***prior to*** the PTAB's acceptance of the IPR petition. *See eSoft, Inc.*, 505 F. Supp. 2d at 789. And, less than a year ago, this Court found that this factor weighed in favor of a stay prior to institution where the data for IPR acceptance suggested "that it is ***more probable than not*** that an IPR will be instituted with respect to at least some aspect of the four patents [defendant] seeks to challenge via IPR." *Personalis, Inc. v. Foresight Diagnostics Inc.*, No. 22-CV-01913-CNS-NRN, 2023 WL 371931, at *5 (D. Colo. Jan. 24, 2023) (emphasis added). Notably, as set forth in SRAM's Motion to Stay,

[2] Notably, in *Cocona*, there were two separate defendants accused of infringing the patents at issue and the cases against them had been consolidated for pretrial purposes. *Cocona, Inc.*, 2018 WL 10910847, at *4–5. This distinguishing fact weighed heavily with the Court, as only one of the defendants (VF) had instituted the IPR while the other defendant (Columbia) would not participate in that proceeding. *Id.* at *5. As such, any holding in the IPR proceeding would not estop Columbia and, "if Columbia is free to take a 'second bite' at the proverbial apple after VF, this greatly reduces the potential for simplification." *Id.* Those complicating issues that Fox omitted from its analysis, are, of course, not present here.

the current PTAB statistics demonstrate an even *higher* likelihood of institution than was present in *Personalis.* Fox should not ignore this Court's precedent simply because it cuts against Fox's argument.

These holdings are critical because Fox has not even attempted to argue against the obvious simplification of issues and reduced litigation burden if the Court grants a stay and lets the PTAB exercise its expertise in determining the validity of the ***exact same twenty-three claims that are before this Court***. In other words, because Fox only argues about the timing of a stay prior to the PTAB's decisions on IPR institution, Fox does not dispute that the issues before this Court will be simplified (or eliminated) if the PTAB accepts some or all of the claims that are raised in SRAM's IPR petitions. Because Fox does not dispute the issues will be simplified upon acceptance of the IPRs and because this Court has routinely rejected arguments similar to Fox's assertions (which in turn are based on out-of-circuit precedent), both *eSoft* factors 1 and 4 strongly favor granting a stay.

B. The Second *eSoft* Factor Favors a Stay Because There Is Still Significant Discovery Needed, Summary Judgment Is Still Several Months Away, and Trial, Only Recently Set, Is Over a Year Away.

Fox overstates the stage of the proceedings in its arguments on the second *eSoft* factor.

For example, while Fox argues that six depositions have been taken to suggest that it has "actively and diligently prosecuted this case" (ECF No. 137 at 11–12), those depositions were limited to either (1) SRAM's Motion to Transfer to this Court (which was irrelevant to the substantive issues in this case) or (2) the declarations submitted in relation to Fox's Motion for Preliminary Injunction—and none of those depositions counted toward either party's ten-deposition limit. (ECF No. 88 at 8.) In other words, ***there are still up to twenty (20) depositions to be taken in this litigation***. Critically, while some of those prior depositions dealt with the

limited issues on U.S. Patent No. 9,739,331 ("the '331 patent") that were addressed in the preliminary injunction declarations, there has neither been a deposition of the named '331 patent inventor, for example, nor a single deposition to date regarding U.S. Patent No. 8,550,223 ("the '223 patent"). Further, Fox's document production in response to SRAM's discovery requests – all of 57 total documents – can hardly be described as extensive or complete. Moreover, Fox has just announced its intention to SRAM that Fox wants to amend its infringement contentions yet again, to add two new products (the Vivid Air shock and the Boxxer fork) to the litigation, and to seek more discovery in connection therewith. *See* Hickey Decl. ¶ 3 & Ex. 1 thereto. If such new infringement contentions are permitted by the Court, this in turn will require SRAM to proffer responsive non-infringement contentions and/or invalidity contentions.

Thus, discovery is hardly as far along as Fox has suggested, and there remains much to do in the remaining months before discovery is scheduled to close. Moreover, even though this Court set this case for trial a day after SRAM filed its Motion to Stay, the fact remains that trial is over a year away (January 27, 2025). (ECF No. 134 at 1.) On top of this, the fact that a final written decision from the PTAB would occur just a few months after this case's currently scheduled trial date further supports a stay right now, as noted by other courts: "a stay is appropriate to avoid futility of trial if Patent Office action is inconsistent with the case in this court." *Icon Health & Fitness, Inc. v. Johnson Health Tech North America, Inc.*, No. 1:10-cv-00209-DN-DBP, 2015 WL 12780595, at *3 (D. Utah May 12, 2015) (citing *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013)). In other words, if the PTAB "confirms the original claim in identical form, a suit based on that claim may continue, but if the original claim is cancelled or amended to cure invalidity, the patentee's cause of action is extinguished and the suit fails." *Fresenius*, 721 F.3d at 1340. It makes no sense for this Court to have to expend the time to navigate through all the

similar substantive engineering issues with competing experts, and then to try a case before a jury, when the experts at the PTAB will be evaluating the validity of the exact same patents.

Fox likewise overstates the similarities between this case and the single Colorado case it cites in its analysis of the second *eSoft* factor. Once again relying more heavily on California cases than those of this District, the single Colorado case Fox relies upon, a slip opinion issued in *Swift*, involved an IPR ***that was not instituted by the party in court seeking the stay***. (*See* ECF No. 137-3, at 3) In that case, the IPR was sought to be instituted by a third party to the litigation—described as a "Chinese infringer"—and Swift (the accused infringer in the litigation) was "not a party to the PTAB proceeding" and "will not be bound by a decision in [plaintiff's] favor." (*Id.*) Moreover, in that case, discovery was *closed*, claim construction orders had been issued, summary judgment had been briefed, and trial was only four months away. (*Id.* at 2, 4.) In short, the issues of simplification were very different in *Swift* than here because the party seeking the stay would not be bound by the PTAB's findings, ***and*** the litigation there had proceeded far further than here, where (1) there are not only months left of discovery but also extensive additional discovery needed and planned, (2) the Court has not yet issued its claim construction order, (3) summary judgment has not been filed and is not due to be filed for nearly 6 months, and (4) trial is over a year away.

As the *eSoft* court's analysis makes clear, this factor does not merely consider what *has already* occurred in litigation, but rather weighs that against what ***remains to be done*** so the Court can ascertain whether a decision by the Patent Office on patent invalidity will save the Court and the parties time and effort.[3] *See eSoft, Inc.*, 505 F. Supp. 2d at 789 (emphasis added) ("While the

[3] Indeed, in a dispute between the same parties previously pending in this Court, involving two different patents, and dismissed just seven (7) months before the instant lawsuit was filed by

parties have undoubtably spent considerable time and resources thus far, ***far more time and resources are yet to be devoted to the case***, as Plaintiff has yet to respond to Defendant's six motions for summary judgment and this court has yet to evaluate those motions."). The *eSoft* Court weighed the fact that discovery was "at or near completion" (*i.e.*, even further along than it is here) against the fact that there were still several summary judgment motions that had not yet been fully briefed or considered by the court and the Patent Office's patent invalidity decision would "assuredly aid in the resolution of such motions." *Id.* at 788–89. There, even ***with*** discovery at or near completion, the court *still* found that the second factor did "not weigh strongly in Plaintiff's favor" and granted the stay. *Id.* at 789.

This case has progressed even less than in *eSoft*, where discovery was at or near completion, and the same countervailing considerations – that the IPR decisions here would most likely aid in remaining future substantive issues, including but not limited to summary judgment – apply here. In short, *eSoft* factor two favors a stay.

C. The Third *eSoft* Factor Favors a Stay as This Court Has Already Considered and *Rejected* the Very Claims of Prejudice Fox Reasserts to Oppose a Stay as any Damages Fox Suffers Can Be Monetarily Compensated Following a Trial.

Fox's argument regarding the third *eSoft* factor based on the status of Fox and SRAM as competitors both overstates the caselaw and completely ignores this Court's prior, controlling analysis of Fox's allegedly irreparable injury first made at the preliminary injunction hearing and

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Fox, there were eleven (11) motions pending before the Court (including four (4) summary judgment motions and five (5) Daubert motions) before any pretrial filings had been made. *See Fox Factory, Inc. v. SRAM, LLC*, Case Nos. 1:18-cv-00130-DDD-NYW (ECF Nos. 187, 220, 225–228), 1:18-cv-00127-DDD-NYW (ECF Nos. 191, 196–199). The Court may reasonably expect a similar number of dispositive and expert motions to be filed here, consuming significant court and party resources.

repurposed here.

First, Fox mischaracterizes the "presumption" under the third *eSoft* factor as dispositive of the outcome. (ECF No. 137 at 1, 13.) Indeed, the purported "presumption" Fox relies upon is neither dispositive of this factor, nor dispositive of the Motion to Stay analysis because Courts in this District have repeatedly (and recently) granted motions to stay where the parties *were* direct competitors. *See Well Master Corp.*, 2022 WL 4129399, at *6 (granting a motion to stay although the parties were "direct competitors"); *see also VirtualAgility Inc. v. Salesforce.com, Inc.*, 759 F.3d 1307, 1318 (Fed. Cir. 2014) (reversing the district court's denial of defendant's motion to stay with instructions to grant the stay even though the parties competed in the same market and plaintiff asserted that expeditious litigation was existential to its market share); *Personalis, Inc.*, 2023 WL 371931, at *5–6 (concluding a stay pending *inter partes* review was merited even though the parties were direct competitors). As all of the cases Fox cites make clear, the initial presumption regarding competitors is only meant to protect against the "risk that a patent-holder whose patent is being infringed will be prejudiced ***in ways that are not easily calculated to render monetary damages***." *Smith Sport Optics, Inc.*, 601 F. Supp. 3d at 942 (emphasis added); *Personalis, Inc.*, 2023 WL 371931, at *4 (same); *Well Master Corp.*, 2022 WL 4129399, at *6 (same).

The risk that Fox could be prejudiced in a way that cannot be "***easily calculated to render monetary damages***" has no application here, where the Court has already considered extensive briefing, evidence, and argument and found that "***FOX has failed to demonstrate that it is likely to suffer irreparable harm that could not be compensated monetarily following a trial***." (ECF No. 118, at 7 (emphasis added).) Indeed, Fox relies upon the very same arguments and evidence that the Court found were "speculative or anecdotal" and "directly contradicted by the evidence presented by

SRAM." (*Id.* at 6–7.) For example, Fox once again tries to argue that it may lose market share that could be felt for seasons because, according to Mr. Allinger, spec is "sticky." Yet, as this Court correctly recognized, and as "FOX did not deny," Fox's "speculative" and "anecdotal" arguments that the patented feature was driving sales *and* that spec positions were sticky were rebutted by the far more specific and concrete evidence that "FOX had ***already reclaimed*** at least one of those positions and that it had ***done so with a fork that lacked the disputed air release valves***." (*Id.* at 6 (emphasis added); *see also id.* at 8 (noting that the evidence did not show that the air bleed valves "drive either sales or pricing").) Having weighed all the evidence after a full evidentiary hearing, the Court concluded that Fox failed to demonstrate that it is likely to suffer irreparable harm that could not be compensated monetarily following a trial. (*Id.* at 7.)

In other words, the very type of prejudice the Court might consider when weighing the undue prejudice factor—harms that "are not easily calculated to render monetary damages"—has already been found lacking, rendering moot the presumption that Fox relies upon so heavily now. *See VirtualAgility Inc.*, 759 F.3d at 1318 (noting the equivalence of the undue prejudice inquiry in the motion to stay analysis and the irreparable harm inquiry in a preliminary injunction analysis); *see also Cocona, Inc.*, 2018 WL 10910847, at *6 ("A stay will not diminish the monetary damages to which [the patent owner] will be entitled if it succeeds in its infringement suit—it only delays realization of those damages[.]") (quoting *VirtualAgility Inc.*, 759 F.3d at 1318) (internal quotations omitted).

Fox's remaining two arguments on this third *eSoft* factor fare no better. First, while Fox argues that its delayed filing of a preliminary injunction motion weighs against a stay, Fox cites only one case for that claimed proposition (*Cocona*), where the plaintiff did ***not*** seek a preliminary injunction, meaning the court provided no guidance on how to weigh the presence or absence of

this fact. *See Cocona, Inc.*, 2018 WL 10910847, at *7. Other cases which have actually considered a ***denied*** patent owner's preliminary injunction motion (like here) have found the third factor still weighed in favor of a stay. For example, in *Kamstrup A/S v. Axioma Metering UAB*, the patent owner sought a preliminary injunction, which the court denied. No. 19-CV-1669-WJM-SKC, 2019 WL 6296699, at *2 (D. Colo. Nov. 25, 2019). Despite the fact that the patent owner had sought a preliminary injunction, the court still found this third factor (and the others) favored a stay because, in view of the preliminary injunction's denial, the defendant would "be able to compete during the pendency of this litigation in any event" so "a stay will not place [defendant] in any better competitive position than it currently enjoys." *Id.* at *3. Like in *Kamstrup*, Fox's preliminary injunction motion was denied and any stay would not place SRAM in any better competitive position than if this case were to proceed in litigation.

Second, while Fox points to the timing of SRAM's filing of the IPR petitions, as the *Cocona* court noted, "[t]he patent statute allows up to one year after service of the complaint in this case. This suggest that Congress found ***a year after service of an infringement complaint is generally a reasonable time period for an alleged infringer to decide whether to pursue IPR***." *Cocona, Inc.*, 2018 WL 10910847, at *8 (emphasis added). Fox does not dispute that SRAM timely filed its IPR petitions within the one-year period, nor does it explain how that timing nets SRAM a "tactical advantage."

SRAM's timely filing of its IPR petitions near the permitted one-year mark was in direct response to the constantly "shifting sands" of Fox's ever changing claim constructions, which local patent rules were ultimately designed to prevent. *O2 Micro Int'l Ltd. v. Monolithic Power Sys., Inc.*, 467 F.3d 1355, 1364 (Fed. Cir. 2006) (internal quotations omitted) (local patent rules "require parties to crystallize their theories of the case early in the litigation so as to prevent the 'shifting

sands' approach to claim construction"). As noted in SRAM's Motion to Stay, Fox did not clarify its purportedly final position on construction of claim terms until August 3, 2023, just a few weeks before SRAM filed the initial two IPRs. (*See* ECF No. 120.) As demonstrated by the collection of Fox's own conflicting statements regarding the necessity of claim construction (*see* ECF No. 131 at 12–13), Fox's claim positions in this case have been a moving target. Even at the claim construction hearing, Fox changed its proposed constructions and its positions about what terms even needed to be construed. *See* ECF No. 130, Hearing Tr. 40:13–25 (Fox proposing to modify construction of the term "bottom out cup at the end of a compression portion"); *id.* at 36:4–7 (Fox proposing to make "another correction" although "[i]t's not critical that we win this"); *compare id.* at 24:9, 26:8–9 (Fox stating that "[e]verybody knows this patent is about a bottom-out cup" and that "[b]ottom out is described in the patent. Everybody knows what it is.") *with id.* at 32:8–9 (Fox's counsel stating the exact opposite that "[t]he bottom-out cup does not have a well-defined meaning in the art.").

The *basis* for SRAM's arguments about non-infringement and invalidity necessarily had to account for Fox's ever-changing claim construction positions. This is important because, in an IPR proceeding, the PTAB considers the validity or invalidity of the claims rather than the infringement or non-infringement of the accused products. Thus, Fox's continually changing claim construction positions have caused SRAM to repeatedly reassess the structure of its IPR petitions to account for Fox's "shifting sands" approach. SRAM did not wait to file for an unidentified tactical advantage – SRAM simply wanted to know what Fox's final claim constructions would be. Unfortunately, Fox's positions continued to change even after all three IPR petitions were submitted to the PTAB.

In sum, a stay maintains the status quo, while avoiding duplicative and expensive litigation

in two forums, saves the Court from expending the time and resources to address anticipated motions for summary judgment and related motions, and does not unduly prejudice Fox because this Court already found that Fox's harm, if any, can be monetarily compensated following a trial, if one is even needed. Thus, the third *eSoft* factor favors this Court granting a stay.

III. CONCLUSION

Based on the foregoing, SRAM respectfully requests that this Court grant its Motion to Stay Litigation Pending IPR of the challenged claims of the '331 and '223 patents.

Dated: January 22, 2024

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on January 22, 2024, the foregoing document was served upon counsel of record via the CM/ECF system to the following:

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